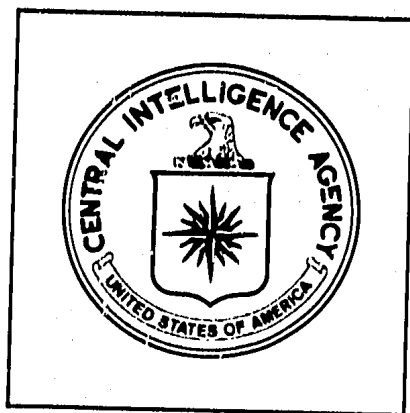


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STAFF NOTES:

Soviet Union Eastern Europe

State Dept. review completed

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SOVIET UNION - EASTERN EUROPE

This publication is prepared for regional specialists in the Washington community by the USSR - Eastern Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Poland: Heartburn over Israeli
Issue at Next UNGA

High-level Polish foreign affairs officials are worried that a vote by Warsaw in favor of Israel's custer or suspension from the UN will disturb Polish-US relations. In effect, the Poles are appealing for Washington's understanding if Warsaw is forced by circumstances to vote against Israel.

On Tuesday, a department head in the Foreign Ministry flatly told an Australian diplomat that should the issue arise, Poland would vote to "expel" Israel from the UN. The Australian observed that the Pole showed discomfort over his government's position, but indicated that the guidance was "firm."

When the US ambassador subsequently asked Deputy Foreign Minister Spasowski about the Polish position, Spasowski was much less blunt. He professed Polish fidelity to the principle of universality and said that his experts felt that although the issue would be raised and debated, it would not come to a vote because of disunity in the nonaligned camp. He warned, however, that experts can be wrong, and avoided any comment on how Poland would vote. Warsaw would undoubtedly follow Moscow's lead if the Soviets decided to support the radical Arab members of the nonaligned who are the prime movers in the anti-Israeli drive.

Spasowski said that Poland was eager for continued discussions with the US on the problem. He added that he would make a point of directing the new Polish ambassador to the UN to confer "in particular" with his US counterparts. The Poles obviously hope that by talking with US representatives behind the scenes, they will be able to soften the impact on bilateral relations of a Polish vote against Israel.

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Consumer Price Increases Announced in Hungary

Hungary increased consumer prices effective August 4, apparently in an effort to reduce consumption of high-priced imported products. Prices were increased for fuels (20 percent), timber products (20-49 percent), and construction materials (10-49 percent). Fuel prices already had been raised an average of 25 percent in September. Additional and more widespread price increases are likely in January, when the new five year plan gets under way.

Bela Csikos-Nagy, chairman of the Materials and Price Office, sought to minimize the impact of the price increases by stating that inflation would be increased by only a small fraction above the planned rate of 3.6 percent for 1975. During the past five years, retail price increases have ranged from 1.3 percent to 3.5 percent annually.

Shrinking Western markets and higher prices for oil and other raw materials--from the USSR as well as from the West--have severely strained Hungary's resource-poor economy and have led to balance-of-payments deficits. Hungary has been incurring deficits with the East as well as the West. In its CEMA trade, Hungary incurred a deficit of \$203 million during January-May compared with a surplus of \$39 million during the comparable 1974 period.

The regime has evidently decided to make the price hikes while inflation rates in the West are high in an effort to shift responsibility to the West and away from the Kadar leadership and the

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Soviets. The Hungarian regime has delayed announcing substantial consumer price increases so as not to remove the gloss from the party congress in March and the parliamentary elections in June.

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